



廉政公署

INDEPENDENT COMMISSION AGAINST CORRUPTION

防止貪污處 Corruption Prevention Department

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Corporate Communications Department  
Hong Kong Exchanges and Clearing Limited  
12th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

Dear Sir

**Consultation on Review of the Code on  
Corporate Governance Practices and Associated Listing Rules**

We are glad to note that the Stock Exchange of Hong Kong Limited (the “**Exchange**”) is conducting a review of the Code on Corporate Governance Practices and Associated Listing Rules.

We in general support the changes proposed in the Consultation Paper, which we believe would help improve the corporate governance of companies listed in Hong Kong. To further help enhance the listed companies’ resistance to corruption and corrupt practices, we have the following recommendations for your consideration.

**Anti-Corruption Policy and Code of Conduct**

To protect shareholders’ and investors’ interests and funds and Hong Kong’s reputation as an international financial centre, it is essential for a listed company to adopt a clear anti-corruption policy and to put in place an integrity management programme to promote an anti-corruption culture in the company. We therefore recommend that it be made a Listing Rules requirement that a listed company should adopt a clear anti-corruption policy and put in place an integrity management programme, including:

- ◇ Adopting and promulgating a Code of Conduct, or separate Codes of Conduct, for its employees and company directors (incl. executive

directors and non-executive directors) that, among other things, prohibits a company director or employee from soliciting or accepting advantages (as defined in the Prevention of Bribery Ordinance) for himself or others (other than the company) in return for doing anything or showing any favour to others in relation to the company's business or affairs (except advantages that are part of an employee's legitimate income as permitted and pre-approved under his employment conditions, such as customers' tips allowed in some industries). The Code(s) should also set out the company policy and restrictions on acceptance of advantages from persons having business dealings with the company in circumstances where no undue favour is involved (e.g. allowable limit of value of gifts during festivals or occasions where gifts are normally exchanged). The Code(s) should be endorsed by the General Meeting or the Board.

- ✧ Setting out company policy and providing guidelines, in the Code(s) of Conduct, on handling conflict of interest, requiring directors and employees to avoid conflict of interest in carrying out the company's business and to declare to an appropriate authority any conflict of interest that arises.
- ✧ Ensuring all directors and employees are made aware of the Code's requirements, through integrity training as necessary, which should be provided at least to staff exposed to significant risks of corruption (e.g. those involved in purchasing and contract management, certification and inspection services, etc.).
- ✧ Requiring major business partners, contractors and suppliers to adopt an anti-corruption policy in doing business with the company.

The ICAC stands ready to provide further advice on anti-corruption policy and integrity management programme to the Exchange or individual listed companies where necessary.

### **Roles of Chairman and Chief Executive Officer (CEO)**

To enhance checks and balances, we consider it a best practice to make it a Listing Rules requirement that the posts of Chairman and CEO should be held by different persons.

### **Financial Reports/Statements**

To enhance accountability, the Chairman, CEO and Chief Financial Officer of a listed company should be required under the Listing Rules to sign the annual report and public announcements related to major transactions. If they cannot do so for whatever reasons (e.g. out of town), they should subsequently be required to confirm and endorse the report/transaction in writing with the relevant meeting deliberations recorded.

### **Audit Committee**

In view of the role of the Audit Committee, it should have at least two members with financial, audit or internal control expertise, qualifications and experience.

### **External Auditor**

To ensure the independence and impartiality of the work of the external auditor, we suggest that engagement of the external auditor for non-audit services (e.g. consultancy projects) should be pre-approved by the Audit Committee.

### **Independent Non-executive Directors (INEDs)**

INEDs perform a very important role in providing checks and balances in the Board. If they are nominated, or their nomination controlled or unduly influenced, by a few dominating major shareholders/board directors, their effectiveness in performing such a function could be compromised. We therefore suggest that, in the long run, listed companies be required to have channels/mechanisms for nomination/sourcing of INEDs that would ensure their independence and their representation of the interests of the general investors.

### **Corruption Prevention Guide for Listed Companies**

You may also wish to refer to the “Good Governance and Internal Control: A Corruption Prevention Guide for Listed Companies” published by the Corruption Prevention Department in 2008 for practices that may be considered for adoption by listed companies to enhance corporate governance and resistance to corrupt practices.

Please feel free to contact me if you need further information and wish to discuss the matter.

  
(Joe Lee)  
for Director of Corruption Prevention

Independent Commission Against Corruption